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TO RUEHC/SECSTATE WASHDC IMMEDIATE 4325  
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUEHBS/USEU BRUSSELS PRIORITY

UNCLAS JERUSALEM 003679

SIPDIS

SENSITIVE  
SIPDIS

NEA/IPA FOR WILLIAMS/MAHER/WAECHTER; NSC FOR  
ABRAMS/DORAN/WATERS; TREASURY FOR NUGENT/ADKINS

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [PGOV](#) [KWBG](#) [IS](#)  
SUBJECT: PALESTINIAN STOCK MARKET ENDS FREEFALL; REGULATORS  
PRESS UNLISTED COMPANIES

REF: JERUSALEM 2443

¶1. (SBU) Summary. After plummeting for months, Palestinian stocks have gained 20 percent since mid-July 2006. The Palestinian Securities Exchange (PSE) August 13 reinstated a wider daily price trading range of five percent, thereby suggesting that concerns over market volatility have eased. PSE and Capital Market Authority (CMA) officials are insisting that all joint stock companies are listed and provide regular financial reports. The PSE recently suspended trading in one company's shares for its failure to meet listing requirements. End Summary.

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Stocks Up  
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¶2. (SBU) Stock prices on the Palestine Securities Exchange (PSE) stabilized in July 2006 and are now rising steadily. On July 16 -- four days after Hizballah's cross-border raid -- the Al-Quds Index reached its lowest point at 494.65, down 56 percent for the year. Since that time, however, stock prices have risen about 20 percent, with the Al-Quds index reaching 593.19 on August 17.

¶3. (SBU) Average daily trading volumes (ADTV) have been increasing, reaching USD 4 million for the trading week of August 13-17 compared to USD 1.4 million the previous week. The trading volume for August 17 reached 1,183,356 shares (in 659 trades) for a total value of USD 4.16 million. Stock prices for the week rose 44 points or eight percent.

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Rising Confidence/Lingering Problems  
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¶4. (SBU) PSE Chairman Hasan Abu-Libdeh announced August 13 that the PSE had decided to reinstate the plus or minus five percent price range limit on daily trading. (Note: The PSE narrowed the price range to plus or minus three percent in March 2006 in an effort to stem volatility in the market. End Note.). In separate comments to the press August 16, Abu-Libdeh asserted that about 35,000 investors hold about USD 1 billion in Palestinian securities. He added that 40 percent of the funds invested in the PSE come from abroad.

¶5. (SBU) In his recent public comments, Abu-Libdeh attributed the PSE's six-month decline to the political situation, not just to the Palestinian Legislative Council

(PLC) elections but also to internal tensions within Fatah. He added that the lack of adequate laws and regulations had also played a role, noting that the PLC had yet to approve a presidential decree allowing companies to purchase their own stock. As a consequence, the PSE is examining current laws and regulations in an effort to improve the investment climate.

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Pressure Rising on Unlisted Companies  
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16. (SBU) Capital Market Authority (CMA) Chief Executive Officer Dr. Atef Alawneh announced August 8 at the Ramallah Chamber of Commerce that the CMA will start taking strict measures to enforce the provision of the Securities Markets Law obliging all joint stock companies be listed on the PSE and regularly disclose their financial statements. Alawneh asserted that there are about 50 companies that need to join the 31 currently listed on the PSE. He added that shareholders of unlisted companies have complained that, in the absence of financial reports, only company board members know the true financial status of these companies. Alawneh warned that legal actions will be taken against shareholding companies failing to adhere to the law.

17. (SBU) In a meeting with Nablus business leaders August 16, Abu-Libdeh stated that the PSE had recently blocked trading in the shares of one listed company until the required financial statements were provided. (Note: Local press accounts identified the non-compliant company as the Arab Company for Cement Products. End Note.) Abu-Libdeh said that as many as six companies will be listed with the PSE by the end of the year, starting with the Commercial Bank of Palestine.

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PSE Still Not Listed  
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18. (SBU) Abu-Libdeh also advised August 8 that the PSE is withdrawing its request to the Ministry of National Economy (MoNE) to be registered as a shareholding company. (Note: The PSE was incorporated as a private shareholding company in 1995 with the Palestine Development and Investment Company (PADICO) as a major investor. End Note.) Abu-Libdeh explained that the request had been with the MoNE for four months due to "technical and bureaucratic measures." A senior MoNE employee, however, told Arabic-language daily Al-Ayyam that the delay was due to four companies having been listed on the PSE without having provided the required financial statements. Abu-Libdeh dismissed this "excuse," asserting that the MoNE should be able to grant PSE's request while setting deadlines by which time the negligent companies must provide the necessary financial information. The PSE, CMA and MoNE are reportedly seeking an appropriate solution to the PSE's listing request, according to Al-Ayyam. Abu-Libdeh told reporters August 16 that all companies listed on the PSE had now presented financial disclosure documents.

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